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ACTION STR-00

INFO	LOG-00	AF-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00
	ITCE-00	SRPP-00	EB-00	EXME-00	EUR-00	E-00	UTED-00
	VC-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01	L-00
	AC-01	NSAE-00	OES-01	OMB-01	OPIC-01	ACE-00	SP-00
	SSO-00	SS-00	TEST-00	USIE-00	FMP-00	DRL-02	G-00
	NFAT-00	SAS-00	/009W				

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FM AMEMBASSY HARARE  
TO SECSTATE WASHDC 8965  
INFO SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
NSC WASHDC  
DEPT OF LABOR WASHDC  
DEPTTREAS WASHDC  
USDOC WASHDC  
USDA FAS WASHDC 0003

UNCLAS HARARE 001715

SIPDIS

NSC FOR SENIOR AFRICA DIRECTOR GAYLE SMITH  
USDOC FOR 4510 HENDERSON  
PRETORIA FOR AG ATTACHE RICK HELM  
LONDON FOR CGURNEY  
PARIS FOR BISA WILLIAMS  
PASS USAID FOR AFR/SA - NNEWMAN, AA/AFR - VNEWTON, AND A/AID -  
RMCCALL  
PASS USTR - ROSA WHITAKER  
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TREASURY FOR ED BARBER AND C WILKINSON  
USDA/FAS FOR CMT/GARY GROSS AND FRANK LEE

E.O. 12958: DECL: N/A  
TAGS: EAGR EFIN ETRD ZI  
SUBJECT: ZIMBABWE TOBACCO SALES UPDATE, FOURTH SALES WEEK

**¶1.** AFTER 18 TRADING DAYS, ZIMBABWE'S THREE TOBACCO AUCTION FLOORS HAVE COLLECTIVELY SOLD A TOTAL OF 3,665,457 KILOGRAMS (KG) OF THE CROP (837,031 KG IS BURLEY TOBACCO), AT AN AVERAGE PRICE OF US \$1.69 PER KG.

**¶2.** THIS VOLUME COMPARES WITH 6,848,511 KG FOR THE SAME PERIOD LAST SEASON, REPRESENTING A DROP OF -46.5 PERCENT. THE AVERAGE PRICE PER KILOGRAM OF US \$1.69 REPRESENTS AN INCREASE OF 54.3 PERCENT, COMPARED TO US \$1.09 DURING THE SAME PERIOD LAST SEASON.

**¶3.** TOBACCO SALES HAVE SO FAR GENERATED US\$6,179,730, COMPARED TO US\$7,481,937.18 LAST SEASON, A REDUCTION OF 17.5 PERCENT. THE REVENUE REDUCTION, DESPITE THE HEFTY PRICE INCREASES IS ATTRIBUTABLE TO THE LOW VOLUME OF TOBACCO BEING DELIVERED TO THE AUCTION FLOORS BY COMMERCIAL AND SMALL-SCALE FARMERS ALIKE.

**¶4.** FARMERS ARE WITHHOLDING THEIR CROP BECAUSE THEY DESIRE AND DEEM NECESSARY A DEVALUATION (TO COVER THEIR INCREASED PRODUCTION COSTS DUE TO HIGH DOMESTIC INFLATION, AND THE SUBSTANTIAL DEVALUATION OF THE LOCAL CURRENCY ON THE PARALLEL MARKET), BUT GOVERNMENT SEEMS ADAMANT THAT A DEVALUATION IS NOT JUSTIFIABLE GIVEN THE POOR PERFORMANCE OF THE EXPORT SECTOR.

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**¶5.** COMMENT: TO DATE, HIGHER PRICES HAVE OFFSET A SUBSTANTIAL DROP IN THE NUMBER OF BALES DELIVERED TO THE AUCTION FLOORS. HOWEVER, WITH THE COUNTRY DESPERATELY SHORT OF FOREIGN CURRENCY ANY HOLDBACK IS DAMAGING TO THE ECONOMY. WITH THE GOVERNMENT HAVING RECENTLY THROWN THE GOLD MINERS THE LIFE RING OF A SELECTIVE DEVALUATION (GOLD PRODUCERS ARE NOW REIMBURSED FOR THEIR EXPORT SALES AT ZWD \$68 EQUALS USD 1, VERSUS ONLY THE OFFICIAL RATE OF \$55 BEING GIVEN TO THE TOBACCO FARMERS), WE UNDERSTAND AND SYMPATHIZE WITH THE ACTIONS OF THE COUNTRY'S LARGEST EXPORT SEGMENT; THE MORE SO IN LIGHT OF THE TRAVALS INFILCTED UPON ZIMBABWE'S COMMERCIAL FARMING SECTOR SINCE EARLY LAST YEAR. END COMMENT.

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